

Silicon Valley mulls invasion of 'unicorns'

AFP, New York

When social media software firm Sprinklr unveiled its latest funding last month, it vaulted into the club of "unicorns," or tech startups worth at least \$1 billion.

That came just weeks after Slack, which makes a business software collaboration tool, entered the group which includes well-known names like Uber and Snapchat.

While unicorns are supposed to be rare, mythical creatures, the proliferation of these billion-dollar startups has raised eyebrows as well as concerns in the fast-moving technology sector.

More than 80 tech firms can now be called unicorns, according to a Forbes Magazine list.

The venture capital research firm CB Insights lists 53 US-based unicorns, saying the hefty valuations have been fueled by a flood of private equity investors seeking an early piece of the next tech superstar.

The use of the term "unicorn" began with a blog from investor Aileen Lee of Cowboy Ventures in late 2013, when there were just 39 of the creatures and an average of four "born" each year. The number created in 2014 rose to 38, according to CB Ventures.

While some of the unicorns appear to be headed for big things, unicorn fever has raised fears of a bubble in the private equity markets.

"You have a frenzy of investors looking for the next Facebook. They saw the possibility of a return of 1,000 percent," says Rob Enderle, a consultant and analyst at Enderle Group. "But these are incredibly



REUTERS

Pedestrians cross the street below a billboard displaying the logo of Snapchat above Times Square in New York.

risky investments. All of these firms are not going to get a multibillion dollar buyout or massive public offering. I think we're going to see a thinning of the herd."

The unicorns include a handful of startups worth at least \$10 billion, a group sometimes called the "decacorns."

These include China's Xiaomi, Airbnb, Pinterest and Dropbox, in addition to Uber and Snapchat. Some equity investors are getting nervous over the trend.

"I do think you'll see some dead unicorns this year," said Bill Gurley, a partner at the Silicon Valley venture firm Benchmark, at the South by Southwest festival in March.

Gurley, who has been a leading voice of caution on unicorns, said in a blog post that both investors and startups are pushing too hard, ignoring tradi-

tional standards of risk. "We are in a risk bubble," he said.

"Companies are taking on huge burn rates to justify spending the capital they are raising in these enormous financings, putting their long-term viability in jeopardy."

In a running Twitter conversation on the subject, Danielle Morrill of the research firm Mattermark said "I've narrowed it down to 61 potential dead unicorns. This is the stuff everyone is talking about but no one will publish."

Prominent equity investor Marc Andreessen, one of the founders of Netscape during the dot-com era, expressed similar concerns in a series of tweets last year, saying too many startups are "burning" cash too quickly.

"When the market turns, and it will turn, we will find out who has been swimming without trunks on:

many high burn rate co's will VAPORIZE," he said.

Mark Cuban, an early dot-com entrepreneur, said on his blog that the current situation is "worse than the tech bubble of 2000" because of "angel" investors investing in apps and tech firms with little scrutiny.

"I have absolutely no doubt in my mind that most of these individual angels and crowd funders are currently under water in their investments," he wrote. "Because there is ZERO liquidity for any of those investments. None. Zero. Zip."

There appears to have already been some shakeout. The online retail startup Fab.com, which raised \$300 million and joined the unicorn club last year, ended up selling most of its assets in March to the manufacturing firm PCH in a deal reported to be worth just \$15 million.

Another former unicorn,

the gaming service OnLive, was acquired recently by Sony for an undisclosed price.

Many startups have been able to raise cash from eager investors without heading to Wall Street for a public share offering.

This also means the firms are not subject to the same scrutiny and publicly traded company for finances and governance.

Anant Sundaram, a professor at Dartmouth's Tuck School of Business who specializes in corporate valuations, said that while financial data on these unicorns is often limited, few have demonstrated an ability to grow revenues and establish a sustainable business.

"Based on historical data, I wouldn't be surprised if a vast majority of these firms fail to live up to their valuations," Sundaram told AFP.

Still, he said that these types of investments are part of the process of innovation and "creative destruction" which fuel the economy.

While this is reminiscent of the dot-com boom, Sundaram noted that in the last cycle, "You had similar businesses (that) came in with very high valuations and many went bust, but this produced a Google and an eBay and a number of other standouts."

Peter Barris at the venture firm New Enterprise Associates said investment is flowing because "we are in the early days of one of the most robust periods of innovation I've seen in my lifetime."

In a blog post, Barris said he sees unicorns transforming the way we live.

Thai PM eyes doubling of trade with Russia to \$10b

AFP, Bangkok

Thailand and Russia aim to double their annual bilateral trade to \$10 billion next year, Thai junta chief Prayut Chan-O-cha said Wednesday, after agreeing to cooperate on sectors from energy to tourism with visiting Russian premier Dmitry Medvedev.

The two premiers met in Bangkok as Prayut, a former army chief, seeks to widen alliances amid tensions with Western nations over his coup in May last year and the kingdom's deteriorating human rights situation.

For its part, Moscow has been buffeted by an economic slump deepened by sanctions imposed on Russia by the European Union and United States last year over its backing of separatist rebels in eastern Ukraine.

The leaders oversaw the signing of a series of agreements to deepen Thai and Russian cooperation over the economy, infrastructure, energy, the war on drugs, tourism and culture in the first visit to Thailand by a Russian prime minister for 25 years.

"Thailand and Russia have agreed to increase bilateral trade from \$5 billion to \$10 billion by next year," said Prayut, who was installed as premier shortly after last May's coup, in front of an audience of more than 200 officials and reporters in

Government House.

"We have asked the Russian prime minister to consider importing rubber and other agricultural products, food, rice, frozen pork and fresh fruit," he said, adding the countries would "continue cooperation on energy".

The emphasis on food exports follows Moscow's embargo on many Western food products in retaliation for sanctions.

The Thai junta chief also reassured his Russian counterpart that the kingdom was "a safe place" for tourists.

Medvedev said that he had discussed security issues with the Thai premier, adding: "Thailand is the favourite holiday destination for many of our citizens. Last year 1.6 million Russians visited Thailand."

Last Wednesday the Thai junta lifted martial law in the kingdom, 10 months after the army takeover, following pressure to rescind the legislation from western allies, business and the tourism industry, which usually accounts for around 10 percent of GDP.

But Prayut immediately replaced the controversial law with new powers retaining sweeping security measures for the ruling generals in a move sparking widespread criticism from the international community.



BANK ASIA

Md Arfan Ali, deputy managing director of Bank Asia, inaugurates the bank's ATM booth at Niketan in Gulshan, Dhaka on Tuesday. Ziaul Hasan Molla, executive vice president, was also present.



GRAMEEN INTEL

Pavel Hoq, chief operating officer of Grameen Intel Social Business, and Philip Biswas, executive director of Rural Reconstruction Foundation, attend the signing of an agreement at Grameen Intel's head office in Mohakhali, Dhaka recently.

India might consider white sugar export incentive

REUTERS, New Delhi

India might consider giving cash-strapped sugar companies an incentive to export white, or refined, sugar as long as mills agree to pay the dues they owe to millions of cane growers, India's Food Minister Ram Vilas Paswan said yesterday.

Five straight years of surplus output has hammered local sugar prices, hitting mills' financial health to an extent that they now owe more than \$3 billion to cane growers.

Paying off those arrears would help put money in the pockets of farmers who have suffered crop damage due to untimely

rains and hail storms, and lost income as a result of falling world commodity prices.

"Farmers have been hit hard by unseasonal rains in the past few weeks. The payment cannot be better timed, as it will help tide them over the crisis," Paswan said.

On Wednesday Prime Minister Narendra Modi agreed to raise farmers' compensation as part of efforts to calm rising anger against his government.

"The government is willing to consider the demand of the industry so that mills' financials do not worsen but we need an assurance that cane arrears to farmers are cleared as early as possible," Paswan told Reuters.

Royal Dutch Shell agrees £47b deal for BG Group

AFP, London

Energy titan Royal Dutch Shell on Wednesday announced a mega takeover of British rival BG Group worth £47 billion, consolidating their positions in a sector battered by sliding oil prices.

The cash and shares deal, approved by the BG board and worth the equivalent of \$70 billion or 64 billion euros, will help Shell to boost its flagging output thanks to BG's strong position in liquefied natural gas (LNG), a cleaner alternative to energy types such as coal and nuclear.

The new company will be worth twice the value of BP and overtake US energy giant Chevron Corp. on finalising the sector's biggest deal in a decade, according to BloombergNews.

BG's share price, which has tumbled over the past year on plunging oil prices, soared by almost 40 percent in reaction to Wednesday's announcement.

"The boards of Shell and BG are pleased to announce that they have reached agreement on the terms of a recommended cash and share offer to be made by Shell for the entire issued and to be issued share capital of BG," said a statement issued by the Anglo-Dutch group.

The offer represents a premium of about 50 percent compared with BG's closing share price on Tuesday, costing Shell "approximately £47.0 billion" for its rival, the statement added.

"The result will be a more com-



AFP

Ben van Beurden, chief executive officer of Royal Dutch Shell, speaks at a press conference in central London. Energy titan Royal Dutch Shell yesterday announced a mega takeover of British rival BG Group worth £47 billion.

petitive, stronger company for both sets of shareholders in today's volatile oil price world," Shell chairman Jorma Ollila said in the release.

BG chief executive Helge Lund said the deal "delivers attractive returns to shareholders and has strong strategic logic". He added: "BG's deep water positions and strengths in exploration... will combine well with Shell's scale, development expertise and financial strength."

It is the first major deal for Lund, formerly chief executive of Norwegian energy giant Statoil,

since he took up the reins at BG earlier this year.

The tie-up will improve Shell's proved oil and gas reserves by a quarter and lift output by a fifth, while delivering "enhanced positions in competitive new oil and gas projects, particularly in Australia LNG and Brazil deep water", the statement added. "The deal between Royal Dutch Shell and BG Group will prompt sector consolidation," noted Marc Kimsey, senior trader at Accendo Markets.

"The decline in oil prices over the

past year has battered some stocks which are clearly now looking attractive. In the last year BG shares fell 30 percent... By comparison sector behemoths BP and Royal Dutch Shell have only shed 10 percent over the same period leaving them in the position of predator rather than prey."

Following Wednesday's announcement, BG's share price was up by a huge 37 percent to 1,251 pence on London's benchmark FTSE 100 index, which was 0.48-percent higher overall to 6,995.43 points in early deals.

Shell 'B' shares -- the ones used to finance the transaction -- dropped 5.82 percent to 2,080 pence.

"UK equities are trading higher buoyed by confirmation that Shell has agreed to buy BG Group," said Rebecca O'Keeffe, head of investment at stockbroker Interactive Investor.

"In what is the biggest deal in the sector in 10 years, the company is set to become the second largest global energy company, behind only Exxon in terms of scale and resources."

Crude oil prices lost more than half their value between last June and the end of January owing to a supply glut fuelled largely by robust output from US shale rock and weak global demand.

That in turn has weighed heavily on energy majors such as Shell, denting their profits and share prices and causing them to cut operating costs.



MIDLAND BANK

Atiur Rahman, governor of Bangladesh Bank, attends the launch of Midland Bank's three new SME loan products at a programme held at Jahangir Alam Conference Hall of Bangladesh Bank, recently. Md Ahsan-uz Zaman, managing director of Midland Bank, was also present.

Singapore Telecom to buy US cybersecurity firm for \$810m

AFP, Singapore

Singapore Telecom (Singtel) said Wednesday it will buy almost all of US cybersecurity firm Trustwave for \$810 million, saying it was looking to become "a global player" in the sector.

Southeast Asia's biggest telecom firm by revenue said it will acquire a 98 percent equity interest in Trustwave under an agreement it signed with the Chicago-headquartered company.

Trustwave, a leading specialist in managed security services, is valued at \$850 million, Singtel said in a statement.

Trustwave chairman and chief executive Robert J. McCullen will hold the other two percent.

"We aspire to be a global player in cybersecurity," Singtel group chief executive Chua Sock Koong said in the statement.

Speaking at a news conference Chua added: "I think if you look at acquisitions outside of the traditional telco business on a single investment basis this is the largest that we have done."



MAXUS

Ken Arai, managing director of Rohto-Mentholatum, and Iresh Zaker, director of Maxus, pose during the signing of a media management services agreement held in the city recently.